



Virginia Information Technologies Agency



IT Infrastructure Program Contract Modifications

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Today's topics

- History and context
- High-level overview
 - Contract amendments
 - Financial impact
 - What's changing
 - Agency impacts
- VITA budget impact
- Next steps and questions



History and context

- VITA vision: Provide consistent, uniform, disciplined approach to managing IT resources
 - IT standards
 - Consolidation
 - Shared resources
 - Security of Commonwealth data and networks
 - Project management
- Comprehensive Infrastructure Agreement (CIA) modifications
 - 2005 PPEA
 - Negotiations began last year
 - Completed Wednesday, March 31; announced Tuesday, April 6
 - Joint VITA/Northrop Grumman briefing on April 13
 - Legislative outreach
 - Fourth year of 13-year contract



History and context - continued

- Business objectives of negotiations
 - Resolve outstanding issues between VITA and Northrop Grumman
 - Improve operations and customer service
 - Clarify services and scope of work
 - Who is responsible for what
 - Establish greater accountability
 - Clear performance metrics and a distinct dispute process
 - Address customer business needs
 - New services, options and tiered pricing
 - Complete rebaselining
 - Address financial issues



Contract amendment highlights

The amendments set the tone for a more productive working relationship

Performance improvements

- Expedites service and response
- Provides agencies greater flexibility over administrative tasks
- Improves speed and quality of procurement and service requests
- Overhauls help desk services
- Adds new services and pricing options
- Moves desktop upgrades forward

Accountability & operational efficiencies

- Consolidates and strengthens Service Level Agreements (SLAs)
- Increases SLA penalties by 15%
- Creates a clear, faster dispute resolution process
- Establishes three-month review period to ensure performance

Financial

- Extends contract three years
- Allows billing from a rebaselined inventory
- Provides for more detailed billing



How is it structured?

- Two contract amendments
 - Amendment No. 60
 - Scope clarifications, dispute resolution, new services, tiered service options, metrics, and transformation
 - Amendment No. 61
 - Cost of living adjustment and new pricing tables (from Northrop Grumman to VITA)
- One Memorandum of Understanding
 - Seven operational improvement initiatives
 - Priority of Governor, Secretary of Technology and CIO

Overview of financial impact (by year)

1. Contract revisions

NG COSTS TO VITA	2010 Year 4	2011 Year 5	2012 Year 6	2013 Year 7	2014 Year 8	2015 Year 9	2016 Year 10	2017 Year 11	2018 Year 12	2019 Year 13	Total
Baseline of Services	\$ 236.0	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	\$ 234.2	
Release of prior Withholds ¹	\$ 5.0	\$ 10.0									\$ 15.0
Recognition of Additional Services ²		\$ 4.4									\$ 4.4
Storage post Oct '09 ³		\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 3.5	\$ 31.5
Reduced IFA credit ⁴	\$ 0.3	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 9.3
Year 10 COLA ⁵							\$ 8.8	\$ 8.8	\$ 8.8	\$ 8.9	\$ 35.3
Total for Baseline Services	\$ 5.3	\$ 18.9	\$ 4.5	\$ 4.5	\$ 4.5	\$ 4.5	\$ 13.3	\$ 13.3	\$ 13.3	\$ 13.4	\$ 95.5
Average for Baseline Services (Years 5-13)											\$ 10.0

2. Regular contract maintenance

NG COSTS TO VITA	2010 Year 4	2011 Year 5	2012 Year 6	2013 Year 7	2014 Year 8	2015 Year 9	2016 Year 10	2017 Year 11	2018 Year 12	2019 Year 13	Total
Regular COLA ¹	\$ 2.2	\$ 6.7	\$ 7.7	\$ 8.7	\$ 9.7	\$ 10.7	\$ 10.7	\$ 11.7	\$ 12.7	\$ 13.7	\$ 94.5
Estimated ECPs/New Services ²	\$ 1.5	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 5.0	\$ 46.5
Sum Total	\$ 3.7	\$ 11.7	\$ 12.7	\$ 13.7	\$ 14.7	\$ 15.7	\$ 15.7	\$ 16.7	\$ 17.7	\$ 18.7	\$ 141.0

1. Past withheld invoices of \$16,020,911 less \$1,019,401 in SLA credits – split into two parts for VITA cash flow relief
2. All services connected to the engineering change proposals (ECPs) provided prior to the execution of Amendment 60
3. Storage purchased since October 2009 (~143 GB)
4. Reduced industrial funding adjustment (IFA) from 1% to .5%
5. Year 10 COLA implementation of 4.75% in lieu of regular COLA
6. COLA as prescribed in the original CIA – not implemented until now. 1.5% per year labor inflation used as forecast from 2011-2019
7. New services never in dispute but put under contract at the same time - improved disaster recovery, managed router/firewall and hard drive encryption

* Figures above do not include Retained Expense Cap – exact impact is being analyzed



Overview of agency impacts

What are the impacts to agencies?

1. Transformation
2. New services and specific agreement to needed services (ECPs)
3. Asset management and operational efficiencies
4. Operational improvement initiatives
5. Revised rates

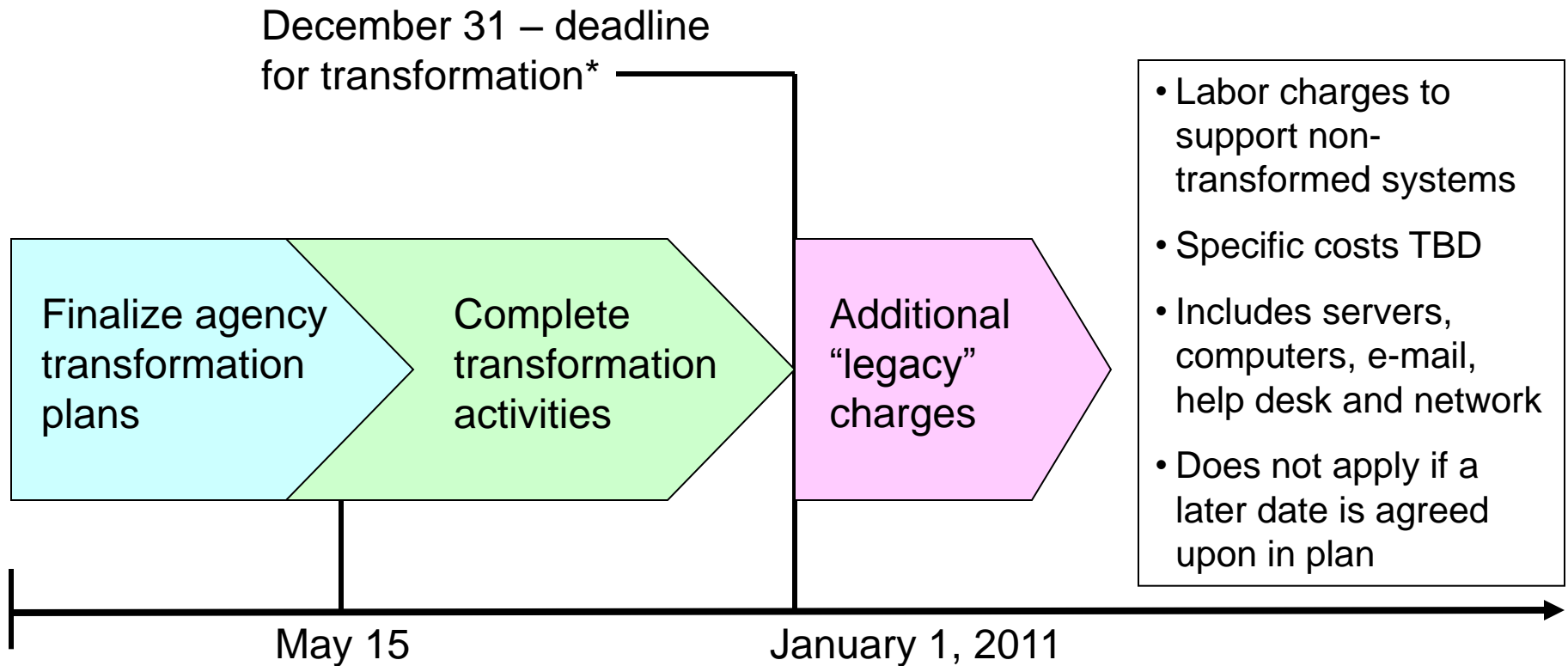


What is transformation?

- Centralized monitoring, management and support of infrastructure for Executive Branch agencies
- Includes several towers
 - Computers, e-mail, help desk, network and servers now managed by partnership
 - Regional support model
 - Hardware refresh
 - Security and network monitoring
 - 24 x 7 x 365
 - Standard IT support processes
 - Standard toolsets installed on computers/servers



Contractual deadlines for transformation



* Transformation activities for DMAS, VSP, VDEM, DFS and VEC to be completed as soon as practicable



New services, more choices and stronger metrics

- Provides needed services to meet business needs
 - Wireless
 - Data encryption
 - Managed firewall
 - Enterprise Virtual Private Network
 - Voice over Internet Protocol (VoIP) telephony
- Provides tiered solution options with different price points to meet budget and business needs
 - Servers
 - Storage
 - Printers
 - Copiers
 - Disaster recovery (DR)
- Strengthens SLAs and accountability



Operational Improvement Initiatives

#	Initiative	Objective
1	Rapid response team	Resolve on-site incidents faster
2	Agency tech lead empowerment	Provide agencies flexibility to handle routine changes
3	Laptop/desktop depot service	Fix hardware issues quickly with spare equipment and parts
4	Request for services (RFS) process and technology architecture/solutioning redesign	Make the RFS process faster and more effective
5	Inventory/billing disputes team	Resolve billing and inventory disputes faster and effectively
6	Help desk redesign	Improve overall help desk service and support
7	Password reset SLAs	Take care of password resets within one hour



Amendments, initiatives are working

- Immediate improvements have resulted
 - Better working relationship between VITA and Northrop Grumman
 - Cleared many escalated issues
 - Rapid response team in place, responding to major outages
 - Key performance metrics established



VITA budget impact

- VITA mandated to reduce its overhead charges for IT services by 15% (\$3.7 million) in each year of the 2011-2012 biennial budget
 - Achieved annual savings of \$1.1 million in personnel costs via reorganization (fall 2009) and \$900,000 in non-personnel reductions
- Having eliminated as much non-personnel related costs to date as possible, no option but to eliminate \$1.75 million in personnel costs pursuant to layoffs across the entire agency
- 16.5 positions were abolished, leading to the layoff of 17 employees last week
 - Cost savings achieved by layoffs anticipated to be sufficient to avoid future layoffs
 - Current number of VITA employees: 186.5
 - Current number of managed employees: 111



Next steps and questions

- Next steps
 - Organizational re-alignment

- Questions?

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Resources:

<http://www.vita.virginia.gov>

- Contract amendments
- Operational improvement initiatives work plan



Virginia Information Technologies Agency



Supplemental Information





Contract amendments - next steps

Immediately

- Managing action plans, timelines
- Developing communications plan and materials
- Defining performance measures for operational improvement initiatives by May 1
- Developing transformation plans for agency review and signoff by May 15
- Develop enhanced ordering processes by Aug. 1
- Creating list of proposed operational improvements by Aug. 15
- Agency head briefing sessions or fourth week in May

Calendar year 2010

- Completing transformation by December 31
- Developing new rates for JLARC approval (May 10 - interim)
- Implement operational improvements
- Implement new services (ECPs)
- Report progress to legislative stakeholders